

CORNING COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2009

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CORNING COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September, 2008 Election)		
Gary Goldsmith	President	2009
Anna Leonard	Board Member	2008
Ralph Morales	Board Member	2009
Shelly Barton	Board Member	2011
Lori Harvey	Board Member	2011
Board of Education (After September, 2008 Election)		
Ralph Morales	President	2009
Gary Goldsmith	Board Member	2009
Shelly Barton	Board Member	2011
Lori Harvey	Board Member	2011
Anna Leonard	Board Member (Resigned May 1, 2009)	2011
Kenya Haffner	Board Member (Appointed June 1, 2009)	2011
School Officials		
Mike Wells	Superintendent	2009
Jodi Lyddon	District Secretary/Treasurer	2009
Rick Engel	Attorney	Indefinite



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Van Maanen, Sietstra & Meyer, PC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Corning Community School District
Corning, Iowa

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 15, 2009, on our consideration of the Corning Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 13 and 40 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corning Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2008, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra, & Meyer, PC
Certified Public Accountants

October 15, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Corning Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues decreased from \$5,225,657 in fiscal 2008 to \$5,092,367 in fiscal 2009, while General Fund expenditures increased from \$5,191,079 2008 to \$5,607,892 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$1,966,553 in fiscal 2008 to \$1,451,028 in fiscal 2009, a 26 percent decrease from the prior year.
- The decrease in General Fund revenues was attributable to insurance reimbursement for flood damage in fiscal 2008 which was not received in fiscal 2009. The increase in expenditures was due primarily to the increase in the negotiated salary and benefits, transportation expenses, and maintenance expenses.
- Overall, the District decreased in net assets in the governmental activities of \$97,000, and decreased in the business-type activities of \$4,000 respectively.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Corning Community School District Annual Financial Report

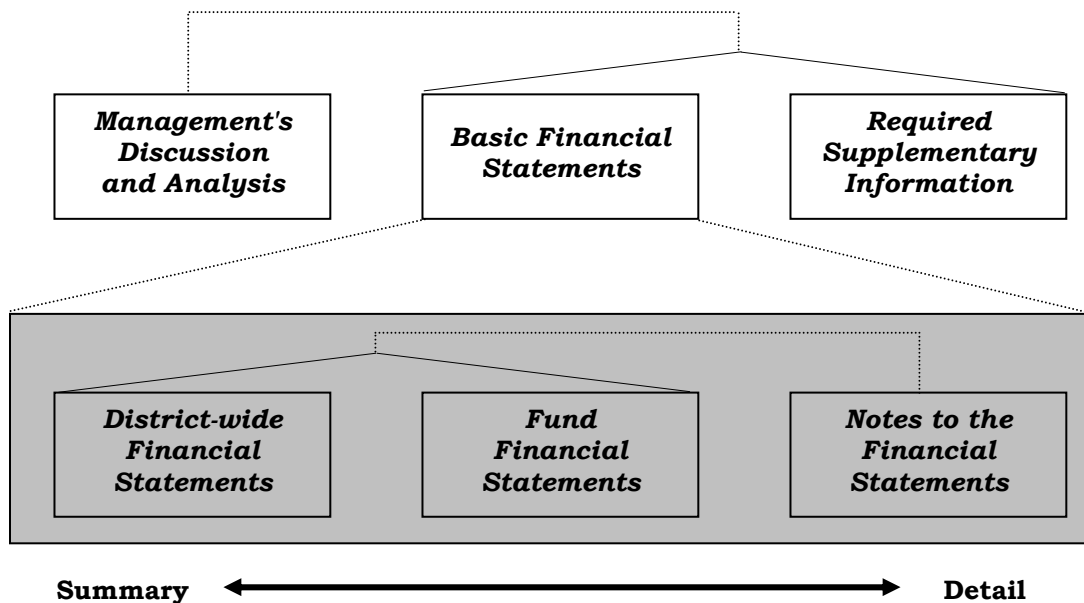


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

- The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees' purchases for the Hearts and Flowers fund and for the CMEA (Education Association) fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2007	2008-2009
Current and other assets	\$ 5,611	\$ 5,579	27	36	5,638	5,615	0.4%
Capital assets	3,405	3,435	48	43	3,453	3,478	-0.7%
Total assets	9,016	9,014	75	79	9,091	9,093	0.0%
Long-term liabilities	486	690	-	-	486	690	-29.6%
Other liabilities	2,915	2,612	-	-	2,915	2,612	11.6%
Total liabilities	3,401	3,302	-	-	3,401	3,302	3.0%
Net assets:							
Invested in capital assets, net of related debt	3,623	3,416	48	43	3,671	3,459	6.1%
Restricted	824	507	-	-	824	507	62.5%
Unrestricted	1,168	1,789	27	36	1,195	1,825	-34.5%
Total net assets	\$ 5,615	\$ 5,712	75	79	5,690	5,791	-1.7%

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2009.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District	
	Year ended June 30,		Year ended June 30,		Year ended June 30,	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for service	\$ 473	\$ 839	94	93	567	932
Operating grants, contributions and restricted interest	950	776	155	164	1,105	940
General revenues:						
Property tax	2,329	2,119	-	-	2,329	2,119
Local option sales and service tax	293	287	-	-	293	287
Unrestricted state grants	2,045	2,021	-	-	2,045	2,021
Unrestricted investment earnings	29	108	-	-	29	108
Other	13	74	-	-	13	74
Total revenues	6,132	6,224	249	257	6,381	6,481
Program expenses:						
Governmental activities:						
Instruction	3,814	3,611	-	-	3,814	3,611
Support services	2,199	1,855	-	-	2,199	1,855
Non-instructional programs	5	7	253	242	258	249
Other expenses	211	348	-	-	211	348
Total expenses	6,229	5,821	253	242	6,482	6,063
Extraordinary item	-	114	-	-	-	114
Change in net assets	\$ (97)	\$ 517	(4)	15	(101)	532

Property tax and unrestricted state grants account for 69 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 93 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,132,000 and expenses were \$6,229,000.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,814	2,592
Support services	2,199	2,189
Non-instructional programs	5	5
Other expenses	211	20
Totals	\$ 6,229	4,806

- The cost financed by users of the District's programs was \$472,724.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$949,689.
- The net cost of governmental activities was financed with \$2,329,640 in property tax, 292,862 in local option sales and service tax, \$2,045,265 in state foundation aid, \$28,920 in interest income, and \$8,084 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$249,609 and expenses were \$252,828. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Corning Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the District completed the year, its governmental funds reported combined fund balances of \$2,614,481, below last year's ending fund balances of \$2,866,701. The primary reason for the decrease in combined fund balances in fiscal 2009 was due to receiving reimbursements/aide received from flood and ice storm damage in fiscal 2008 and increase in expenditures in salaries, benefits, transportation and maintenance in 2009.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,966,553 to \$1,451,028. The District's decreasing General Fund financial position is the product of many factors. We received reimbursements during fiscal 2008 for flood and ice storm damage which resulted in a decrease in reimbursements in fiscal 2009. The District increased in General Fund expenditures due to the increase in staff, salary and benefits, transportation costs, and maintenance costs.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$54,520 in fiscal 2008 to \$50,190 in fiscal 2009.
- The Capital Projects Fund balance increased from \$401,349 in fiscal 2008 to \$433,369 in fiscal 2009.
- The Management Fund balance increased from \$384,535 in fiscal year 2008 to \$627,890 in fiscal 2009.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$78,582 in fiscal 2008 to \$75,363 in fiscal 2009, representing a decrease of approximately 4 percent.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 40-41.

Legal Budgetary Highlights

The District's total actual receipts were \$93,289 less than the total budgeted receipts, a variance of 1%.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2009, the District had invested \$3,452,654, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year exceeded \$206,183.

The original cost of the District's capital assets was \$6,672,453. Governmental funds account for \$6,476,577 with the remainder of \$195,876 in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 205	205	-	-	205	205	0.0%
Buildings	2,237	2,311	-	-	2,237	2,311	-3.2%
Improvements other than buildings	468	503	-	-	468	503	-7.0%
Furniture and equipment	495	416	48	43	543	459	18.3%
Totals	\$ 3,405	3,435	48	43	3,453	3,478	-0.7%

Long-Term Debt

At June 30, 2009, the District had \$215,000, in general obligation bonds and \$271,000 for an early-retirement plan. This represents a decrease of approximately 29.6 percent from last year. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	<div>Total District June 30, 2009 2008</div>		<div>Total Change June 30, 2008-2009</div>
General obligation bonds	\$ 215	420	-48.8%
Early retirement	271	270	0.4%
Totals	\$ 486	690	-29.6%

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Historically, the District has entered into annual contracts with its collective bargaining unit. Settlements in excess of new money or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.
- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education.
- Increased health insurance cost has and will continue to impact the District.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jodi Lyddon, District Secretary/Treasurer and Business Manager, Corning Community School District, PO Box 229, Corning, Iowa, 50841.

Basic Financial Statements

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,169,647	26,299	3,195,946
Receivables:			
Property tax:			
Delinquent	34,421	-	34,421
Succeeding year	2,224,907	-	2,224,907
Accounts	1,245	-	1,245
Due from other governments	180,193	-	180,193
Inventories	-	1,529	1,529
Capital assets, net of accumulated depreciation	3,405,047	47,607	3,452,654
Total assets	9,015,460	75,435	9,090,895
Liabilities			
Accounts payable	98,971	-	98,971
Salaries and benefits payable	465,638	72	465,710
Accrued interest payable	1,881	-	1,881
Unearned revenue:			
Succeeding year property tax	2,224,907	-	2,224,907
Other	123,370	-	123,370
Long-term liabilities:			
Portion due within one year:			
Bonds payable	215,000	-	215,000
Early retirement	83,046	-	83,046
Portion due after one year:			
Early retirement	187,756	-	187,756
Total liabilities	3,400,569	72	3,400,641
Net assets			
Invested in capital assets, net of related debt	3,623,416	47,607	3,671,023
Restricted for:			
Management levy	627,890	-	627,890
Physical plant and equipment levy	50,190	-	50,190
Other special revenue purposes	51,013	-	51,013
Categorical funding	94,964	-	94,964
Unrestricted	1,167,418	27,756	1,195,174
Total net assets	\$ 5,614,891	75,363	5,690,254

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2009

Functions/Programs	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular	\$ 2,427,254	260,981	503,889	-
Special	847,823	36,943	233,918	-
Other	539,283	174,800	11,190	-
	3,814,360	472,724	748,997	-
Support Service:				
Student	30,854	-	-	-
Instructional staff	253,030	-	-	-
Administration	571,022	-	-	-
Operating and maintenance of plant	512,344	-	10,150	-
Transportation	831,605	-	-	-
	2,198,855	-	10,150	-
Non-instructional programs	5,042	-	-	-
Other expenditures:				
Long-term debt interest	20,171	-	-	-
AEA flowthrough	190,542	-	190,542	-
	210,713	-	190,542	-
Total governmental activities	6,228,970	472,724	949,689	-
Business type activities:				
Non-instructional programs:				
Food service operations	252,828	94,460	155,114	-
	252,828	94,460	155,114	-
Total primary government	\$ 6,481,798	567,184	1,104,803	-

Exhibit B

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental</u>	<u>Business type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
(1,662,384)	-	(1,662,384)
(576,962)	-	(576,962)
(353,293)	-	(353,293)
(2,592,639)	-	(2,592,639)
(30,854)	-	(30,854)
(253,030)	-	(253,030)
(571,022)	-	(571,022)
(502,194)	-	(502,194)
(831,605)	-	(831,605)
(2,188,705)	-	(2,188,705)
(5,042)	-	(5,042)
(20,171)	-	(20,171)
-	-	-
(20,171)	-	(20,171)
(4,806,557)	-	(4,806,557)
-	(3,254)	(3,254)
-	(3,254)	(3,254)
(4,806,557)	(3,254)	(4,809,811)

Exhibit B

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2009

	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Totals continued from previous pages	\$ 6,481,798	567,184	1,104,803	-
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Contributions not restricted to specific programs				
Total general revenues				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				
See notes to financial statements.				

Exhibit B

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
Governmental Activities	Business type Activities	Total
(4,806,557)	(3,254)	(4,809,811)
2,170,992	-	2,170,992
158,648	-	158,648
292,862	-	292,862
2,045,265	-	2,045,265
28,920	35	28,955
8,084	-	8,084
4,880	-	4,880
4,709,651	35	4,709,686
(96,906)	(3,219)	(100,125)
5,711,797	78,582	5,790,379
\$ 5,614,891	75,363	5,690,254

CORNING COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Management	Debt Service	Capital Projects	PPEL	Non-major Governmental	Total
Assets and Other Debits							
Cash and pooled investments	\$ 1,924,073	706,367	991	435,606	51,462	51,148	3,169,647
Receivables:							
Property tax:							
Current year delinquent	25,722	6,345	-	-	2,354	-	34,421
Succeeding year	1,907,304	150,000	-	-	167,603	-	2,224,907
Accounts	299	-	-	-	-	946	1,245
Due from other governments	139,965	-	-	40,228	-	-	180,193
Total assets and other debits	\$ 3,997,363	862,712	991	475,834	221,419	52,094	5,610,413
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 50,023	1,776	-	42,465	3,626	1,081	98,971
Salaries and benefits payable	465,638	-	-	-	-	-	465,638
Early retirement payable	-	83,046	-	-	-	-	83,046
Deferred revenue:							
Succeeding year property tax	1,907,304	150,000	-	-	167,603	-	2,224,907
Other	123,370	-	-	-	-	-	123,370
Total liabilities	2,546,335	234,822	-	42,465	171,229	1,081	2,995,932
Fund balances:							
Reserved for:							
Debt service	-	-	991	-	-	-	991
State grants	94,964	-	-	-	-	-	94,964
Unreserved:							
Designated for special purposes by the Board	300,000	-	-	-	-	-	300,000
Undesignated	1,056,064	627,890	-	433,369	50,190	51,013	2,218,526
Total fund balances	1,451,028	627,890	991	433,369	50,190	51,013	2,614,481
Total liabilities and fund balances	\$ 3,997,363	862,712	991	475,834	221,419	52,094	5,610,413

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total fund balances of governmental funds (Exhibit C) \$ 2,614,481

***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 3,405,047

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (1,881)

Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (402,756)

Net assets of governmental activities (Exhibit A) \$ 5,614,891

See notes to financial statements.

Exhibit E

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2009

	General	Management	Debt Service	Capital Projects	PPEL	Non-major Governmental	Total
Revenues:							
Local sources:							
Local tax	\$ 1,778,255	392,737	-	292,862	158,648	-	2,622,502
Tuition	256,371	-	-	-	-	-	256,371
Other	61,733	14,624	9	5,112	804	174,545	256,827
State sources	2,739,276	260	-	-	96	-	2,739,632
Federal sources	256,732	-	-	-	-	-	256,732
Total revenues	5,092,367	407,621	9	297,974	159,548	174,545	6,132,064
Expenditures:							
Current:							
Instruction:							
Regular	2,289,487	82,276	-	-	-	-	2,371,763
Special	837,286	-	-	-	-	-	837,286
Other	342,783	-	-	-	-	182,294	525,077
	3,469,556	82,276	-	-	-	182,294	3,734,126
Support services:							
Student	30,383	-	-	-	-	-	30,383
Instructional staff	181,101	-	-	-	55,585	-	236,686
Administration	533,151	31,678	-	-	-	-	564,829
Operation and maintenance of plant	491,660	22,483	-	-	-	-	514,143
Transportation	711,499	22,787	-	-	71,700	-	805,986
	1,947,794	76,948	-	-	127,285	-	2,152,027
Non-instructional programs	-	5,042	-	-	-	-	5,042
Other expenditures:							
Facilities acquisition	-	-	-	39,006	36,593	-	75,599
Long-term debt:							
Principal	-	-	205,000	-	-	-	205,000
Interest and fiscal charges	-	-	21,948	-	-	-	21,948
AEA flowthrough	190,542	-	-	-	-	-	190,542
	190,542	-	226,948	39,006	36,593	-	493,089
Total expenditures	5,607,892	164,266	226,948	39,006	163,878	182,294	6,384,284
Excess (deficiency) of revenues over (under) expenditures	(515,525)	243,355	(226,939)	258,968	(4,330)	(7,749)	(252,220)
Other financing sources (uses):							
Operating transfers in	-	-	226,948	-	-	-	226,948
Operating transfers out	-	-	-	(226,948)	-	-	(226,948)
Total other financing sources (uses)	-	-	226,948	(226,948)	-	-	-
Net change in fund balances	(515,525)	243,355	9	32,020	(4,330)	(7,749)	(252,220)
Fund balances beginning of year, as restated	1,966,553	384,535	982	401,349	54,520	58,762	2,866,701
Fund balances end of year	\$ 1,451,028	627,890	991	433,369	50,190	51,013	2,614,481

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ (252,220)

***Amounts reported for governmental activities in the
 Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 171,098	
Depreciation expense	<u>(200,614)</u>	(29,516)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

205,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,777

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		<u>(21,947)</u>
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Change in net assets of governmental activities (Exhibit B)

\$ (96,906)

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 26,299
Inventories	1,529
Capital assets, net of accumulated depreciation	<u>47,607</u>
Total assets	<u>75,435</u>
Liabilities	
Salaries and benefits payable	<u>72</u>
Total liabilities	<u>72</u>
Net Assets	
Invested in capital assets	47,607
Unrestricted	<u>27,756</u>
Total net assets	<u><u>\$ 75,363</u></u>

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 Year ended June 30, 2009

	<u>School Nutrition</u>
Operating revenues:	
Local sources	
Charges for service	<u>\$ 94,460</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	83,107
Benefits	22,101
Purchased services	1,676
Supplies	139,853
Depreciation	5,569
Other	522
Total operating expenses	<u>252,828</u>
Operating loss	<u>(158,368)</u>
Non-operating revenues:	
State sources	3,212
Federal sources	151,902
Local sources	35
Total non-operating revenues	<u>155,149</u>
Net income	(3,219)
Net assets beginning of year, as restated	<u>78,582</u>
Net assets end of year	<u><u>\$ 75,363</u></u>

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 94,570
Cash payments to employees for services	(105,136)
Cash payments to suppliers for goods or services	(127,089)
Net cash used by operating activities	<u>(137,655)</u>
Cash flows from non-capital financing activities:	
State grants received	3,212
Federal grants received	137,872
Net cash provided by non-capital financing activities	<u>141,084</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(10,151)</u>
Cash flows from investing activities:	
Interest on investments	<u>35</u>
Net decrease in cash and cash equivalents	(6,687)
Cash and cash equivalents at beginning of year	<u>32,986</u>
Cash and cash equivalents at end of year	<u><u>\$ 26,299</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (158,368)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	14,030
Depreciation	5,569
Decrease in accounts receivable	110
Decrease in inventories	932
Increase in salaries payable	72
Net cash used by operating activities	<u><u>\$ (137,655)</u></u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Current assets:	
Cash and investments	\$ 26,299
Cash and cash equivalents at year end	<u><u>\$ 26,299</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received federal commodities valued at \$14,030.

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 52,242	7,737
Accrued interest receivable	75	-
Total assets	<u>52,317</u>	<u>7,737</u>
Liabilities		
Accounts payable	-	7,737
Total liabilities	<u>-</u>	<u>7,737</u>
Net assets		
Reserved for scholarships	<u>\$ 52,317</u>	<u>-</u>

See notes to financial statements.

Exhibit K

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended June 30, 2009

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 2,100
Interest income	2,666
Total additions	<u>4,766</u>
Deductions:	
Support services:	
Scholarships awarded	21,450
Administration services	<u>2,219</u>
Total subtractions	<u>23,669</u>
Change in net assets	(18,903)
Net assets beginning of year, as restated	<u>71,220</u>
Net assets end of year	<u><u>\$ 52,317</u></u>

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(1) Summary of Significant Accounting Policies

Corning Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Corning, Iowa, and the predominate agricultural territory in Adams and Taylor counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Corning Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Corning Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Management Fund: The Management Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

Debt Service Fund: The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

PPEL Fund: The PPEL Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Fiduciary Fund Types: Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

Private Purpose Trust Fund: This fund accounts for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Agency Fund: This fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied and unearned grant proceeds.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

At June 30, 2009, the District had investments as follows:

Okey Vernon National Bank Certificates of Deposit	\$ 22,000
First Federal Savings and Loan Certificate of Deposit	10,000
State Bank of Brooks Certificate of Deposit	10,000
Iowa Schools Joint Investment Trust:	
Diversified portfolio (amortized cost)	2,998,255
	<u>\$ 3,040,255</u>

The ISJIT investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

The District's investment in Wisconsin Energy common stock, Verizon Communications common stock, Idearc, Inc. common stock and Fairpoint Communications common stock relates to a gift of the stocks as a scholarship investment. Terms of the gift require the school to hold the stock permanently and the dividends received are to be used for the Effie Akin Award. The fair market values of these investments at June 30, 2009 were \$14,644, \$3,749, \$0, and \$1 respectively.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 226,948
		<u>\$ 226,948</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance beginning of year	Increases	Decreases	Balance end of year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 204,689	-	-	204,689
Total capital assets not being depreciated	204,689	-	-	204,689
Capital assets being depreciated:				
Buildings	4,026,450	-	-	4,026,450
Improvements other than buildings	968,014	-	-	968,014
Furniture and equipment	1,106,326	171,098	-	1,277,424
Total capital assets being depreciated	6,100,790	171,098	-	6,271,888
Less accumulated depreciation for:				
Buildings	1,715,924	73,869		1,789,793
Improvements other than buildings	464,689	35,227		499,916
Furniture and equipment	690,303	91,518		781,821
Total accumulated depreciation	2,870,916	200,614	-	3,071,530
Total capital assets being depreciated, net	3,229,874	(29,516)	-	3,200,358
Governmental activities capital assets, net	\$ 3,434,563	(29,516)	-	3,405,047
Business type activities:				
Furniture and equipment	\$ 185,725	10,151		195,876
Less accumulated depreciation	142,700	5,569		148,269
Business type activities capital assets, net	\$ 43,025	4,582	-	47,607

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 115,989
Special	10,537
Other	14,206
Support services:	
Student	471
Instructional staff	16,344
Administration	10,772
Operation and maintenance	6,676
Transportation	25,619
Total depreciation expense - governmental activities	\$ 200,614
Business type activities:	
Food service operations	\$ 5,569

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 420,000	-	205,000	215,000	215,000
Early retirement	270,425	104,993	104,616	270,802	83,046
Total	<u>\$ 690,425</u>	<u>104,993</u>	<u>309,616</u>	<u>485,802</u>	<u>298,046</u>

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Bond Issue of February 28, 2000				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2010	5.25%	\$ 215,000	11,288	226,288
Total		<u>\$ 215,000</u>	<u>11,288</u>	<u>226,288</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 25% of the District's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2009, totaled \$104,616.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007, were \$199,471, \$182,144, and \$168,069, respectively, equal to the required contributions for each year.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

(7) Risk Management

Corning Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$190,542 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Restatements

The total beginning net assets of governmental activities were increased by \$192,776. This amount is comprised of a \$201,873 reduction to accumulated depreciation, a \$9,082 reduction to the General Fund balance due to a reallocation of state grants, and a \$15 reduction to the Debt Service Fund balance due to a reconciliation error. The total beginning net assets of business type activities were increased by \$5,834 due to an adjustment in capital asset balances. The Private Purpose Trust fund beginning net assets were reduced by \$61 due to a reconciliation error. The Agency Fund was inadvertently omitted from the prior year statements.

(10) Subsequent Event

On October 8, 2009, Governor Chet Culver announced a 10 percent across-the-board cut to state general fund appropriations effective immediately. The cut is a reduction of approximately \$238.5 million to Iowa schools and approximately \$800,000 to the Iowa Department of Education. What this will mean to Iowa school districts is still unfolding.

Required Supplementary Information

CORNING COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Variance Favorable (Unfavorable)
				Original	Final	
Revenues:						
Local sources	\$ 3,135,700	94,495	3,230,195	3,363,280	3,363,280	(133,085)
State sources	2,739,632	3,212	2,742,844	2,753,182	2,753,182	(10,338)
Federal sources	256,732	151,902	408,634	358,500	358,500	50,134
Total revenues	6,132,064	249,609	6,381,673	6,474,962	6,474,962	(93,289)
Expenditures:						
Instruction	3,734,126	-	3,734,126	5,275,965	5,275,965	1,541,839
Support services	2,152,027	-	2,152,027	2,295,050	2,695,000	542,973
Non-instructional programs	5,042	252,828	257,870	552,396	552,396	294,526
Other expenditures	493,089	-	493,089	925,008	925,008	431,919
Total expenditures	6,384,284	252,828	6,637,112	9,048,419	9,448,369	2,811,257
Excess (deficiency) of revenues over (under) expenditures	(252,220)	(3,219)	(255,439)	(2,573,457)	(2,973,407)	
Balances beginning of year, as restated	2,866,701	78,582	2,945,283	2,576,003	2,576,003	
Balances end of year	\$ 2,614,481	75,363	2,689,844	2,546	(397,404)	

See accompanying independent auditor's report.

CORNING COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budget expenditures by \$399,950.

During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

Other Supplementary Information

Schedule 1

CORNING COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Other Unreserved Fund Balance	\$ 6	573	-	(575)	4
High School Drama	4,990	694	302	-	5,382
Musical/Madrigal	-	4,950	2,259	-	2,691
Cross Country	-	386	400	14	-
Tennis	-	153	153	-	-
Golf	31	450	1,188	707	-
Boys Basketball	1,774	2,964	4,726	-	12
Football	-	3,592	2,839	-	753
Baseball	-	387	365	(22)	-
Boys Track	-	2,154	1,891	(263)	-
Wrestling	65	2,482	2,606	59	-
Girls Basketball	1,230	2,587	2,478	-	1,339
Volleyball	303	2,827	2,305	-	825
Cheerleaders	-	1,824	1,368	-	456
Softball	-	580	582	2	-
Girls Track	214	-	-	-	214
Athletics-General	-	48,083	60,832	12,749	-
FBLA	-	7,874	8,874	1,000	-
K-6 Book Fair	5,936	4,683	4,612	-	6,007
FFA	4,013	12,781	14,623	-	2,171
FCCLA	-	5,301	5,390	1,000	911
K-6 Special Needs	356	-	132	-	224
Foreign Language Club	17	-	-	-	17
Concessions	-	22,459	14,609	(7,850)	-
Senior Class	2,864	-	1,628	(1,200)	36
Junior Class	-	4,926	6,496	4,000	2,430
Sophomore Class	-	-	27	27	-
Freshman Class	-	-	19	19	-
Junior High Student Council	1,778	1,067	2,268	-	577
Student Senate	1,200	3,179	3,822	-	557
Junior High Teacher's Lounge	213	-	318	105	-
Touch	379	-	-	-	379
Y-Teens	3,153	3,068	3,139	-	3,082
Yearbook	8,510	7,712	8,154	1,200	9,268
School Pictures	-	545	545	-	-
High School Pop Fund	592	1,600	1,828	269	633
Special Projects	347	-	347	-	-
K-6 Student Council	295	-	-	-	295
High School Communiters	5,699	-	-	(5,699)	-
Morris DC Trip	1,970	-	189	-	1,781
Friends	245	335	576	-	4
FCA	58	100	44	-	114
K-6 Teacher's Lounge	4	101	479	374	-
High School Horticulture	5,554	828	425	-	5,957
K-6 Box Top	191	4,012	2,391	(374)	1,438
3rd Grade Landscape	2,330	-	452	-	1,878
Alumni Newsletter	937	8,820	8,909	-	848
John Harris Tourney	3,508	10,468	7,704	(5,542)	730
Total	\$ 58,762	174,545	182,294	-	51,013

See accompanying independent auditor's report.

CORNING COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year ended June 30, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 2,190	33,640	28,093	7,737
Total assets	\$ 2,190	33,640	28,093	7,737
Liabilities				
Accounts payable	\$ 2,190	33,640	28,093	7,737
Total liabilities	\$ 2,190	33,640	28,093	7,737

See accompanying independent auditor's report.

CORNING COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:								
Local sources:								
Local tax	\$ 2,622,502	2,406,437	2,402,720	2,438,779	2,096,295	1,965,807	1,818,126	1,665,347
Tuition	256,371	285,683	296,029	253,543	260,314	231,150	196,299	179,302
Other	256,827	733,069	459,644	419,668	264,776	182,383	205,293	191,802
State sources	2,739,632	2,582,283	2,440,835	2,429,982	2,532,028	2,573,835	2,507,573	2,476,944
Federal sources	256,732	215,652	253,374	327,928	209,707	322,577	313,096	168,733
Total	\$ 6,132,064	6,223,124	5,852,602	5,869,900	5,363,120	5,275,752	5,040,387	4,682,128
Expenditures:								
Instruction:								
Regular instruction	\$ 2,371,763	2,237,426	2,173,171	2,070,237	1,606,933	1,733,517	1,900,787	1,898,104
Special instruction	837,286	780,247	726,264	814,089	639,566	811,822	861,851	731,738
Other instruction	525,077	558,745	558,792	360,117	743,048	487,984	332,406	275,107
Support services:								
Student services	30,383	31,373	35,368	69,169	141,540	234,329	128,292	148,916
Instructional staff services	236,686	255,243	224,743	178,175	114,545	31,178	67,828	72,930
Administration services	564,829	621,934	613,744	541,244	513,085	477,168	500,588	454,355
Operation and maintenance of plant services	514,143	451,615	379,297	434,030	343,602	331,511	328,200	323,207
Transportation services	805,986	500,054	274,681	327,577	263,725	228,499	255,123	266,080
Community service operations	-	-	-	-	-	-	-	5,375
Food service operations	5,042	6,567	8,121	-	6,947	12,393	12,393	11,931
Non-instructional programs	-	-	-	267	-	-	-	-
Other expenditures:								
Facilities acquisition	75,599	167,595	212,590	263,452	230,877	100,177	150,873	149,296
Long-term debt:								
Principal	205,000	195,000	185,000	175,000	165,000	155,000	150,000	145,000
Interest and other charges	21,948	31,990	41,701	50,890	59,553	67,690	75,085	81,685
AEA flowthrough	190,542	181,827	178,772	173,627	175,232	179,413	185,506	185,958
Total	\$ 6,384,284	6,019,616	5,612,244	5,457,874	5,003,653	4,850,681	4,948,932	4,749,682

See notes to financial statements.

Corning Community School District



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Corning Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated October 15, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Corning Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Corning Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Corning Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Corning Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Corning Community School District's financial statements that is more than inconsequential will not be prevented or detected by Corning Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Corning Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corning Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Corning Community School District and other parties to whom Corning Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Corning Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

October 15, 2009

CORNING COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES

II-A-09 Segregation of Duties - The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in school Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to investigate alternatives to this problem.

Conclusion - Response accepted.

Part III: Findings for Federal Awards

Not applicable since less than \$500,000 in federal awards.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-09 Certified Budget – Expenditures for the year ended June 30, 2009 did not exceed the amounts budgeted.

IV-B-09 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-09 Business Transactions - No business transactions were noted between the District and District officials or employees.

CORNING COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2009

- IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-09 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
- IV-G-09 Certified Enrollment - No variances were noted in the basic enrollment data certified to the Department of Education.
- IV-H-09 Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.

It was noted that the District has investments in Wisconsin Energy, Verizon Communications, Idearc, Inc. and Fairpoint Communications common stock not in compliance with the District's investment policy. However, it was also noted that the terms of the gifts in 1983 and 1996 require that the stock be permanently held by the District and that only the dividends are available for disbursement for the Effie Akin Award. Therefore, the investments are maintained in compliance with the terms of the gifts.

- IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- III-K-09 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- III-L-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	-
Statewide sales and services tax revenue		292,862
Expenditures/transfers out:		
School infrastructure:		
Facilities acquisition and construction	\$	39,006
Debt service for school infrastructure:		
General obligation debt		226,948
		<u>265,954</u>
Ending balance	\$	<u>26,908</u>